

CHAPTER 6
ORGANIZATION OF DOMESTIC INSURANCE COMPANIES

[Appeared as ch 4, 1973 IDR]

[Prior to 10/22/86, Insurance Department[510]]

191—6.1(506) Definitions.

6.1(1) “*Promoters*” shall mean any incorporator, organizer, founder or other person or corporation who, acting alone or in concert with other persons, is initiating or directing, or has within one year initiated or directed, the organization of a new insurance company.

6.1(2) “*Public moneys*” shall mean the price paid by persons other than promoters for securities.

191—6.2(506) Promoters contributions. Promoters shall invest of their own funds at least 20 percent of the proposed issue in cash. If something other than cash is contemplated to meet the requirements of this rule, it shall be valued by the commissioner of insurance in accordance with the provisions of Iowa Code section 492.7.

191—6.3(506) Escrow. All public moneys shall be escrowed 100 percent until the issue is sold unless sooner released by written order of the commissioner of insurance; in the event the issue is not completely sold, all expenses incurred in corporate organization, sale of securities and cost of liquidation shall be paid from funds acquired from promoters.

191—6.4(506) Alienation. In the event of a public offering, no securities held by the promoters shall, for a three-year period from the date of acquisition, be alienated or hypothecated (except by operation of the law) unless the operation of the insurance company produces earned surplus for two consecutive years.

191—6.5(506) Sales to promoters. In the event of a public offering, no securities shall be acquired by promoters at less than the public offering price.

191—6.6(506) Options. In the event of public offering, stock options or warrants acquired by promoters shall not exceed 10 percent of the issue.

191—6.7(506) Qualifications of management. The general plan of organization as contemplated in Iowa Code section 506.3 shall include proposed management personnel with biographical sketches, including state of residence and complete insurance experience of each.

191—6.8(506) Chief executive. The chief executive officer of a newly organized insurance company shall be a bona fide resident of Iowa and unless removed for cause and while acting in this capacity shall devote the entire time to such duties unless this requirement is specifically waived by written order of the commissioner of insurance. For purposes of this rule, a newly organized insurance company shall be deemed to be a company in existence for three years or less.

191—6.9(506) Directors. The majority of the directors shall be bona fide residents of the state of Iowa unless specifically waived by written permission of the commissioner of insurance.

These rules are intended to implement Iowa Code section 506.1.

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